

PUBLIC DISCLOSURE

OCTOBER 17, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SOUTHERN MASSACHUSETTS TELEPHONE WORKERS' CREDIT UNION

123 ALDEN ROAD
FAIRHAVEN, MASSACHUSETTS 02719

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income members, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Southern Massachusetts Telephone Workers' Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The rating was based on the following:

The credit union's average loan to share ratio of 76.6 percent for the current examination period is determined to exceed satisfactory performance.

Lending to Borrowers of Different Incomes was found to meet the standards for satisfactory performance based on the satisfactory percentage of residential loans (18.7%) and consumer loans (32.0%) granted to low and moderate-income members.

The credit union's Fair Lending performance is also considered to meet the standards for satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Southern Massachusetts Telephone Workers' Credit Union is a state chartered credit union incorporated in 1922 serving the telephone workers in the southern area of Massachusetts.

As of September 30, 2001, the credit union had total assets of \$96,094,483, with total loans of \$59,555,726 or 62.0 percent of total assets. The net loan to share ratio, as of the same date, was 72.1 percent. Currently, residential real estate loans account for 47.8 percent of the credit union's loan portfolio, followed by auto loans representing 20.8 percent. Home equity loans secured by real estate account for 15.8 percent and other loans for 15.6 percent.

The criteria for the various types of credit offered were reviewed during the examination, as were the procedures for completing a loan application. No practices intended to discourage applications were found. The credit union originates loans of all amounts and rates with terms and conditions that are competitive with other credit unions of similar size and type.

The credit union has one office located at 123 Alden Road in Fairhaven. Office hours are from 8:45 a.m. to 5:00 p.m. Monday through Friday, with extended hours on Thursdays until 7:00 p.m. and on Saturdays, from 9:00 a.m. to 12:00 noon. These banking hours are considered convenient and accessible to the credit union's membership. The credit union operates ATM machines at the Bell Atlantic MAC Center, 385 Myles Standish Boulevard, Taunton and the AT&T Company, 200 Mill Road, Fairhaven. The ATMs are connected to the NYCE, CIRRUS, SUM and TX networks. The credit union is also a member of the Exchange Network, which enables members to access American Express, Discover and Diners club networks. The credit union offers services such as automatic payroll deduction, electronic banking, and free ATM and telephone banking. The credit union offers free checking and savings accounts to its members. Currently, the credit union has 4,100 members.

The credit union has voluntarily participated in the survey of products and fees that appear on the website of the Division of Banks and on the website of the State Treasurer.

In addition to large regional and many locally headquartered financial institutions, the credit union is faced with direct competition for membership from other similar credit unions.

The credit union was last examined for compliance with the Community Reinvestment Act by the Commonwealth of Massachusetts Division of Banks on August 3, 1998. That examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area

According to the revised Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

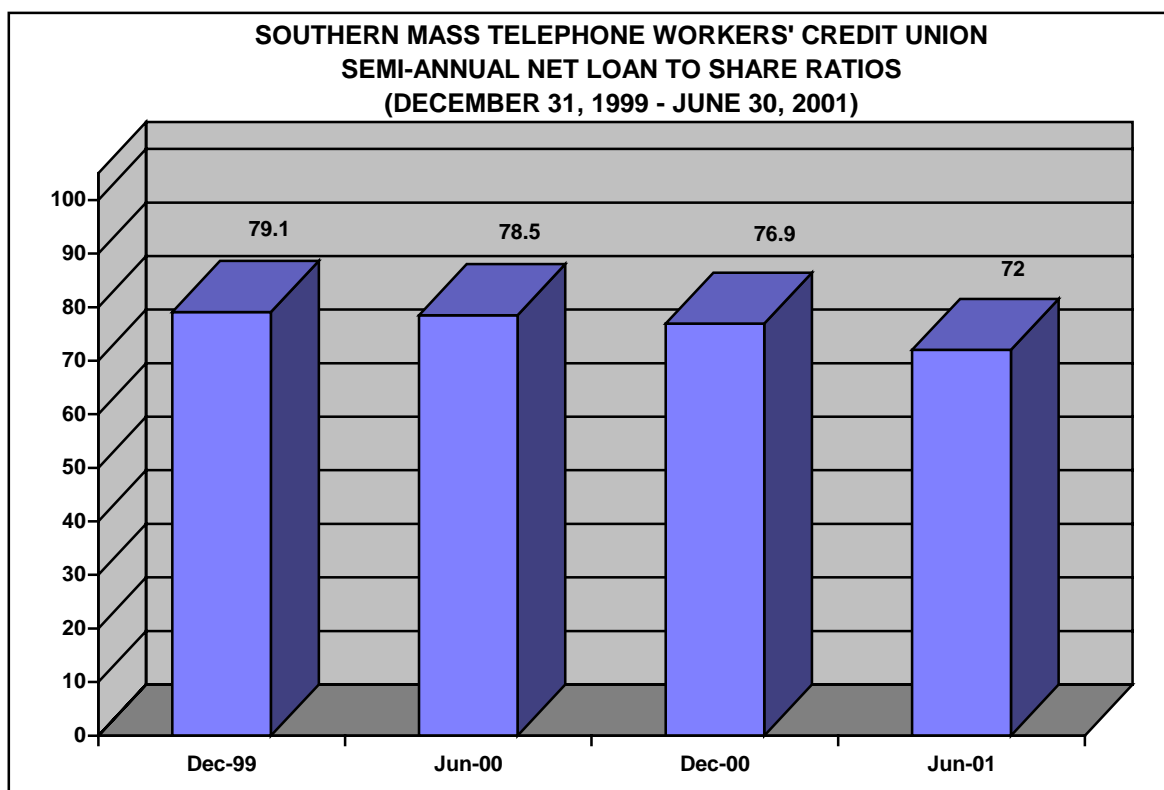
The Southern Massachusetts Telephone Workers' Credit Union's by-laws state: "Membership in this corporation is limited to those who are retired employees of, or presently employed by American Telephone and Telegraph Company or the seven divested Bell Companies or their subsidiaries or Bell Communications Research, Inc. (BELLCORE) or employees of this Credit Union or the families of such members. Any person not eligible for membership may be the holder of a joint account with members of this Credit Union, but only for the purpose of making deposits, purchasing shares or making withdrawals".

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of the credit union's semi-annual net loan-to-share ratios for the period of December 31, 1999, through June 30, 2001 indicates that the average net loan-to-share ratio for this period was 76.6 percent. This ratio is based on loans net of the allowance for loan losses as a percentage of total shares.

The following graph illustrates the loan to share trends.



NCUA 5300 Call Reports

Overall lending activity has remained relatively steady for the period reviewed.

Based on the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-share ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

The second performance criterion examines an institution's record of lending to its membership. However, under the revised CRA regulations, 209 CMR, section 46.41, a credit union membership, which is not based on residence, such as the Southern Massachusetts Telephone Workers' Credit Union, may define its assessment area as its membership. Because a membership-defined assessment area does not consider any fixed limits on geography, an analysis involving credit extended inside or outside a particular defined geographic area would not be meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third performance criterion evaluates the extent to which Southern Massachusetts Telephone Workers' Credit Union lends to members of different income levels within its assessment area. The following analysis of borrower income distribution for residential real estate loans and consumer loans granted in 2000 and Y-T-D 2001 demonstrates that the credit union's lending meets the standards for satisfactory performance.

An analysis was conducted of the credit union's residential loan originations and a sample of consumer loan originations in order to determine their distribution among borrowers of different income levels. Originations were categorized by the ratio of the applicant's reported income to the estimated 2000 and 2001 median family incomes of the New Bedford Metropolitan Statistical Area (MSA). The median family income level for the New Bedford MSA was \$43,600 for 2000 and \$46,300 for 2001.

Low income is defined as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

HMDA Reportable Lending

According to the analysis, the credit union extended 138 real estate loans in 2000 and 98 loans through Y-T-D 2001. The originations include first mortgages and real estate related home equity loans. The highest number of HMDA originations (114 or 48.3%) was granted to middle-income members. Loans to low and moderate-income borrowers represent 3.0 percent and 15.7 percent, respectively. Refer to the following tables.

RESIDENTIAL LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2000		Y-T-D 2001		TOTAL	
	#	%	#	%	#	%
Less than 50%	4	2.9	3	3.1	7	3.0
50% - 79%	23	16.7	14	14.3	37	15.7
80%-119%	32	23.1	25	25.5	57	24.1
120% and over	72	52.2	42	42.8	114	48.3
NA	7	5.1	14	14.3	21	8.9
TOTAL	138	100%	98	100%	236	100%

Source: HMDA/LAR Data

By dollar amount the majority of residential originations (\$6,314,000 or 53.8%) was granted to upper-income members. Dollar amounts to low and moderate-income individuals represent 1.8 percent and 5.3 percent, respectively.

**RESIDENTIAL LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2000		Y-T-D 2001		TOTAL	
	(000)s	%	(000)s	%	(000)s	%
Less than 50%	105	1.9	102	1.7	207	1.8
50% - 79%	1,125	19.8	676	11.1	1,801	15.3
80%-119%	1,021	18.0	1,529	25.2	2,550	21.7
120% and over	3,224	56.8	3,090	50.9	6,314	53.8
NA	197	3.5	673	11.1	870	7.4
TOTAL	5,672	100%	6,070	100%	11,742	100%

Source: HMDA/LAR Data

Consumer Lending

The credit union extended 1,937 consumer loans in 2000 and 1,325 loans Y-T-D 2001. A sample of 50 consumer loans was reviewed to determine the distribution of consumer credit based on the income levels of members. The majority of the loans included in the sample were extended to borrowers residing within the New Bedford Metropolitan Statistical Area (MSA). However, several other MSAs located within the southern area of Massachusetts were also considered. The MSAs that are representative of this area include the Barnstable MSA, Brockton MSA, Fall River MSA, Providence MSA and the "NA" MSA which includes Cape Cod and the Islands.

According to this analysis, the highest number of originations (21 or 42.0%) was granted to upper-income members. Originations to low and moderate-income borrowers accounted for 12.0 percent and 20.0 percent, respectively. Refer to the following tables.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER **BY NUMBER**

% OF MEDIAN MSA INCOME	2000		Y-T-D 2001		TOTAL	
	#	%	#	%	#	%
Less than 50%	2	8.0	4	16.0	6	12.0
50% - 79%	6	24.0	4	16.0	10	20.0
80%-119%	7	28.0	6	24.0	13	26.0
120% and over	10	40.0	11	44.0	21	42.0
TOTAL	25	100%	25	100%	50	100%

Source: IN-HOUSE FILES

By dollar amount 7.2 percent of the loans were to low-income members and 16.0 percent were to moderate-income members.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2000		Y-T-D 2001		TOTAL	
	(000)s	%	(000)s	%	(000)s	%
Less than 50%	10	5.1	16	9.7	26	7.2
50% - 79%	36	18.3	22	13.2	58	16.0
80%-119%	53	26.9	36	21.7	89	24.5
120% and over	98	49.7	92	55.4	190	52.3
TOTAL	197	100%	166	100%	363	100%

Source: IN-HOUSE FILES

It is noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of combined incomes and where the comparison is made to the standard of median family income. Nevertheless, the distribution of consumer lending demonstrates the credit union's willingness to lend to borrowers of all income levels.

Based upon the analysis of residential and consumer loans by borrower income, it appears that the credit union's lending is adequately distributed to borrowers of various income levels, including those of low and moderate-income. The credit union is therefore considered to meet the standards for satisfactory performance for this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The Massachusetts CRA regulation 209 CMR 46.00 allows credit unions whose membership by-laws provisions are not based on residence to designate its membership as its assessment area. Therefore, since Southern Massachusetts Telephone Workers' Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

Southern Massachusetts Telephone Workers' Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The following activities represent how the credit union's fair lending activities relate to the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 - 101.

The credit union has of thirty full-time employees, several of whom are bi-lingual in the Spanish and Portuguese languages. Marketing activity focuses upon lobby brochures and statement stuffers. Due to the close proximity of the credit union to its membership, the office is constantly busy and information is easily distributed to the membership on a personal basis. Several lending staff employees attended a Fair Lending Seminar, which discussed all aspects of the fair lending process. The credit union offers a first-time homebuyer product to its low and moderate-income members through the Massachusetts Housing Finance Agency. The credit union has established a website at www.smtwcu.org, which displays all products and services offered and an e-mail address: smtwcu@attglobal.net. The credit union has a second review policy whereby the credit committee completes a second review of rejected loan applications to ensure that credit is being granted in accordance with credit union policies and applicable laws.

Due to the credit union's industrial nature, it is not expected that all aspects of fair lending requirements would be addressed. The day-to-day operations and the rapport established between credit union personnel and the membership indicate no evidence of disparate treatment.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

SOUTHERN MASSACHUSETTS TELEPHONE WORKERS' CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 17, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.